

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Telecommunications Division
Public Programs Branch

RESOLUTION T-16685
December 5, 2002

RESOLUTION

RESOLUTION T-16685. REVISION OF FISCAL YEAR 2002-2003
 BUDGET AND SURCHARGE RATE FOR THE CALIFORNIA HIGH
 COST FUND-B ADMINISTRATIVE COMMITTEE FUND ADOPTED
 IN RESOLUTION T-16554

Summary

This resolution approves a revised budget of \$471.372 million for Fiscal Year (FY) 2002-03 for the California High Cost Fund-B (CHCF-B) program. This resolution also maintains the surcharge rate of 1.42% for the CHCF-B Administrative Committee (AC) Fund through December 31, 2002 and adopts a revised surcharge rate of 4.5% beginning January 1, 2003 until further revised by the Commission.

The revised budget shall apply to program expenditures for FY 2002-2003. The revised surcharge rate of 4.5% shall be assessed by telecommunications carriers on end-user billings rendered on January 1, 2003 and thereafter.

Background

On October 25, 2001, the California Public Utilities Commission (CPUC) in Resolution T-16554, adopted a budget of \$535.018 million for Fiscal Year (FY) 2002-03 for the CHCF-B AC Fund.

Table 1: Resolution T-16554 Summary (All Amounts in \$000)

	Resolution T-16554 (in thousands)
Claim Payments	\$531,000
Audits	\$1,810
Banking Fees	\$18
Committee Expenses	\$9
Admin Staff	\$151
Interagency Cost	\$2,030
Other Expenses	\$0
	\$535,018

Resolution T-16554 also adopted a surcharge rate of 1.42% effective July 1, 2002 for FY 2002-03 until revised by the Commission. This surcharge rate was developed based on a projected fund balance of \$335.157 million July 1, 2002, a projected total telecommunications billing subject to CHCF-B surcharge of \$15.873 billion, and approximately \$40.536 million fund balance at the end of the fiscal year, June 30, 2003.

Discussion

In this Resolution, the Commission adopts the following:

- The revised CHCF-B program budget for July 1, 2002 to June 30, 2003 in the amount of \$471.372 million.
- The maintenance of the existing surcharge rate of 1.42% until December 31, 2002.
- A revised surcharge rate of 4.5% beginning January 1, 2003 until further revised by the Commission.

The approved State Budget as enacted in Chapter 379 Statutes 2002 (2002 Budget Act) appropriates the amount of \$535.159 million for the CHCF-B for FY 2002-03. The State Budget Act requires the transfer of \$250.9 million from the CHCF-B fund to the State General Fund for FY 2002-03. These two developments require the Commission to revisit the Commission adopted FY 2002-03 budget.

Based on the telecommunications surcharge revenue remittances for the past fiscal year 2001-02 and the forecast of the growth of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$18 billion for FY 2002-03.

The CHCF-B revised budget for FY 2002-03 also takes into account the projected CHCF-B draws by the CHCF-B claimants for FY 2002-03.

The existing CHCF-B surcharge rate of 1.42% is maintained until December 31, 2002. Since the transfer of \$250.9 million to the General Fund affects the CHCF-B program's June 30, 2003 ending cash balance, the surcharge rate is increased to 4.5% effective January 1, 2003 until further revised by the Commission. The maintenance of the surcharge rate at 1.42% until December 31, 2002 and its revision to 4.5% beginning January 1, 2003 will be sufficient to fund the CHCF-B expenses of \$471.372 million. The estimated balance on June 30, 2003 is \$41.652 million.

Table 2 shows a comparison of the budget as adopted in Resolution T-16554 and the proposed revised budget.

Table 2: Summary Comparison of Prior and Adopted Budgets (All Amounts in \$000)

	Resolution T-16554 (in thousands) (A)	Increase/ Decrease (B)	2002-03 Budget Act (C)	Adopted Budget for FY 2002-03 (D) = (A) + (B)
Claim Payments (a)	\$ 531,000	\$ (62,000)		\$ 469,000
Audits	\$ 1,810	\$ 290		\$ 2,100
Banking Fees	\$ 18	\$ 84		\$ 102
Committee Expenses	\$ 9	\$ -		\$ 9
Admin Staff (b)	\$ 151	\$ (10)	\$ 141	\$ 141
Intergency Cost	\$ 2,030	\$ (2,030)		\$ -
Other Expenses	\$ -	\$ 20		\$ 20
Total	\$ 535,018	\$ (63,646)	\$ 535,159 (b)	\$ 471,372

(a) The reduction in estimated carrier claims reflects the FY 02-03 forecasts of CHCF-B claims by carriers.

(b) 2002-03 Budget Act adopts the administrative/staffing cost of \$141,000 and total amount of \$535,159,000

All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the CHCF-B surcharge rate consistent with this Resolution.

Notice To Other Carriers, Advice Letter Filings, And Notice Of Availability

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1 to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes about which they already know. Since that time nothing has happened to change our opinion, so we will waive this notice requirement for tariff changes which comply with this resolution.

The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective January 1, 2003 based on the revised adopted FY 2002-03 budgets. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.

In the past, the Commission has served a hard copy of this resolution on all telecommunications carriers and parties on the service list of I.87-011-033. To be consistent with the Commission's commitment to utilize the Internet for distributing

Commission orders and information, the TD has informed the telecommunications carriers and those on the parties of record in R.95-01-020 / I.95-01-021 on the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission website, www.cpuc.ca.gov.

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on November 5, 2002 to the CHCF-B claimants, the CHCF-AC, and the parties on the parties of record in R.95-01-020 / I.95-01-021. A copy of the cover letter of this mailing was also sent to each of the Commission certificated telecommunications carriers informing parties that this draft resolution is available at the Commission's website www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comment. In addition, the TD informed these parties of the availability of the conformed resolution at the same website.

TD received no comments on this resolution.

Findings

1. On October 25, 2001, the California Public Utilities Commission approved Resolution T-16554 adopting a California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund Budget of \$535.018 million for Fiscal Year (FY) 2002-03 and a surcharge rate of 1.42% effective July 1, 2002 until further revised by the Commission.
2. Chapter 379 Statutes 2002 (2002 Budget Act) appropriates the amount of \$535.159 million for FY 2002-03 for the CHCF-B fund.
3. The approved State Budget required the transfer of \$250.9 million from the CHCF-B fund to the State General Fund for FY 2002-03.
4. Based on the average reported telecommunications revenues subject to surcharges in recent months annualized and the forecast of such surcharge remittance revenues, the estimated intrastate billings subject to surcharge are revised to \$18 billion for FY 2002-03.
5. The CHCF-B revised budget for FY 2002-03 considers the projected CHCF-B draws by the CHCF-B claimants for FY 2002.
6. The revised CHCF-B program budget for FY 2002-03 in the amount of \$471.372 million is reasonable and should be adopted.
7. The existing surcharge rate of 1.42% should remain in effect until December 31, 2002.

8. A revised surcharge rate of 4.5% should be implemented beginning January 1, 2003 until further revised by the Commission.
9. The telecommunications carriers are not required to notice competing utilities for tariff changes that comply with this decision.
10. The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective January 1, 2003 based on the revised adopted FY 2002-03 budgets. To maximize administrative efficiency, TD will allow telecommunications utilities that are subject to the surcharges for these various programs to file simultaneously revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.
11. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by December 20, 2002 revising the CHCF-B surcharge rate consistent with this Resolution.
12. The draft of this resolution was mailed to the CHCF-B claimants, the CHCF-AC, and the parties of record in R.95-01-020 / I.95-01-021 on November 5, 2002. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.
13. The Telecommunications Division received no comments on this resolution.

THEREFORE, IT IS ORDERED that:

1. The revised budget for the California High Cost Fund-B (CHCF-B) for Fiscal Year (FY) 2002-03 of \$471.372 million, as set forth in Appendix A of this resolution, is adopted.
2. A surcharge level of 1.42% shall remain in effect until December 31, 2002.
3. A surcharge level of 4.5% is adopted beginning January 1, 2003 until further revised by the Commission. All certificated telecommunications carriers in California shall apply this surcharge rate on their end-users' bills rendered on or after January 1, 2003.

4. To maximize administrative efficiency, TD will allow telecommunications utilities that are subject to the surcharges for these various programs to file simultaneously revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.
5. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the CHCF-B surcharge rate to 4.5% to take effect on January 1, 2003. Telecommunications carriers are not required to inform competing carriers of tariff changes which comply with this resolution.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 5, 2002. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGET FOR FY 2002-03

CALIFORNIA HIGH COST FUND-B
CASH FLOW BUDGET FOR FISCAL YEAR 2002-03
(ALL AMOUNTS IN \$000)

	Res T-16554	FY 2002-03 TD Proposed	Adopted	Note
1 BEGINNING FUND BALANCE	335,157	307,421	307,421	1
2 TRANSFER TO GENERAL FUNDS - 8660-011-0470	-	(250,900)	(250,900)	
3 CASH BALANCE AFTER TRANSFER PAYMENTS	335,157	56,521	56,521	
4 REVENUES				
5 PROJECTED ANNUAL BILLING BASE	15,873,000	18,000,000	18,000,000	
6 SURCHARGE RATE	1.420%	2.455%	2.455%	2
7 SURCHARGE REVENUE (L5 X L6)/12	225,397	441,900	441,900	
8 OTHER INCOME				
9 INVESTMENT INCOME	-	14,603	14,603	3
10 INTEREST / LOAN REPAYMENT	15,000	-	-	
11 PENALTY	-	-	-	
12 TOTAL OTHER INCOME (L9 thru L11)	15,000	14,603	14,603	
13 TOTAL REVENUE (L7+L12)	240,396.6	456,503.0	456,503.0	
14 PROGRAM EXPENSES	7624.6425			
15 CLAIM PAYMENTS	530,000	468,000	468,000	4,5
16 CARRY-OVER CLAIMS	-	-	-	
17 INTEREST PAYMENT	1,000	1,000	1,000	6
18 TOTAL CLAIMS (L15 THRU L17)	531,000	469,000	469,000	
19 AUDITS				
20 FINANCIAL AUDIT	10	100	100	
21 COMPLIANCE AUDIT	500	500	500	
22 REMITTANCE AUDIT	400	600	600	
23 CARRIER CLAIMS AUDIT	900	900	900	
24 TOTAL AUDITS (L 20 THROUGH L23)	1,810	2,100	2,100	
25 BANKING AND TRUST FEES				
26 LOCKBOX AND TRUST	18	87	87	
27 ZERO BASED ACCOUNT	-	15	15	
28 TOTAL BANKING FEES (L26 + L27)	18	102	102	
29 COMMITTEE EXPENSES				
30 PER DIEM	4	4	4	
31 TRAVEL & OTHER EXPENSES	5	5	5	
32 TOTAL COMMITTEE EXPENSES (L30+L31)	9	9	9	
34 ADMIN/STAFF				
35 EXTERNAL STAFF & RELATED EXPENSES	-	-	-	
36 ALL OTHER EXTERNAL OPERATING EXPENSES	-	-	-	
37 FISCAL OFFICE STAFF	151	141	141	
38 TOTAL ADMIN/STAFF (L26 THROUGH L28)	151	141	141	
39 INTRAGENCY COST	2,030	-	-	
40 OTHER ITEMS				
41 PROGRAMMING CONSULTANT	-	20	20	
42 EXTERNAL STORAGE OF DOCUMENTS	-	-	-	
43 BUILDING ALTERATIONS	-	-	-	
44 TOTAL OTHER ITEMS	-	20	20	
45 TOTAL PROGRAM EXPENSES (L18+L24+L28+L32+L38+L39+L44)	535,018	471,372	471,372	
46 PROJECTED ENDING BALANCE (L1+L13-L45)	40,536	41,652	41,652	

Notes

- 1 The fund balance as of July 1, 2002 is \$ 444,107 million. From this amount, a payment of \$13.321 million was made in June 2002 resulting in a balance of \$430.786 million. As of July 1, 2002, FY 2001-02 liabilities are \$123.365 million. After accounting for the FY 2001-02 liabilities, beginning balance is \$307.421 million.
- 2 Surcharge rates are as follows:
 - a. Surcharge through June 30, 2002 is 1.47% per Resolution T-16585. Assuming a 60 day lag in surcharge receipts, assume same surcharge rate to August 2002.
 - b. Surcharge for FY 2002-03 is 1.42% per resolution T-16554. The new surcharge rate will be effective through December 31, 2002. Using a 60 day lag in surcharge receipts, a surcharge rate of 1.42% is used through February 2003.
 - c. Surcharge rate effective January 1, 2003 through June 30, 2003 will be 4.50%. Assume lag of 60 days for new surcharge receipts, use new surcharge rate effective March 1, 2003..
 - d. Weighted surcharge rate for FY 2002-03 for 12 month period based on cash basis of accounts is: 2.455%
- 3 Investment income is assumed at approximately 4.5% on average monthly balance.
- 4 Includes \$11.5 million payment pursuant to Decision (D.) 00-11-039, Ordering Paragraph # 2
- 5 Estimated claim payments to Pacific Bell, Verizon of California, Citizens Telecommunications Company of California and COX Communications.
- 6 D. 98-01-023 ordered that interest be paid to carriers whose claims are not processed within the prescribed time.